

**State Employee Benefits Committee**  
**Friday, February 21, 2014 at 2:00 p.m.**  
**Tatnall Building, Room 112**  
**Dover, Delaware**

The State Employee Benefits Committee met on February 21, 2014, at the Tatnall Building, Room 112, Dover, Delaware. The following Committee members and guests were present:

Ann Visalli, Director, OMB  
Brenda Lakeman, Director, OMB, SBO  
Faith Rentz, Deputy Director, OMB, SBO  
Casey Oravez, OMB, Financial Operations  
Dawn Guyer, OMB, Financial Operations  
Dawn Davis, OMB, SBO  
Jon McDowell, SHRM  
Jill Hutt, Greater Phila. Bus. Coalition on Health  
Stuart Wohl, Segal  
Howard Atkinson, Segal  
Michael Morton, Controller General  
Kimberly Reinagel-Nietubicz, CGO  
Valerie Watson, Department of Finance  
David Craik, Pension Office  
Crystal Webb, DHSS  
Chip Flowers, Treasurer  
Kelly Callahan, Office of the Treasury  
Jennifer Mossman, Highmark DE  
Jackie Rhoads, Highmark DE  
Judy Grant, HMS

Mike North, Aetna  
Andrew Kerber, DOJ  
Lisa Carmean, City of Milford  
Michael Kelleher, University of DE  
Alexis Bryan-Dorsey, OMB  
Sandy Richards, AFSCME-R  
Richard Phillips, DSEA-R  
Karin Faulhaber, PHRST  
Patricia Griffin, SEBAC Chair  
Dave Leiter, DHSS  
Jenifer Vaughn, DOI  
Carrie Schiavo, Delta Dental  
Rebecca Reichardt, OMB  
Monica Gillespie, OMB  
Alfreda Fisher-Dean, DSEA-R

**Introductions/Sign In**

Director Visalli called the meeting to order at 2:02 p.m. Anyone who had public comment was invited to sign-in and any others wishing to comment would be given the opportunity at the end of the meeting. Introductions were given around the room.

**Approval of Minutes**

Director Visalli requested a motion to approve the minutes from the February 7, 2014 SEBC meeting. Controller General Morton made the motion and Ms. Valerie Watson seconded the motion. Upon unanimous voice vote the minutes were approved.

**Director's Report – Brenda Lakeman**

Ms. Lakeman stated that letters to approximately 5,400 members regarding medications that would be excluded from the prescription plan effective July 1, 2014 were being sent out today.

In addition, the Request for Proposal for the Flexible Spending Account is posted for bid. So far, three vendors, including incumbent, ASI, have confirmed their intent to submit a bid response.

**Group Health Financial Reporting**

Ms. Oravez reviewed the Fund & Equity reporting and commented that the year to date balance is \$21.8M. A total of \$8.1M was received from Express Scripts due to a contractual requirement that the State is reimbursed when Express Scripts receives rebates and discounts from drug manufacturers in excess of what is guaranteed in the contract. This true-up is completed and paid, if applicable, six months after the close of the fiscal plan year. Rebate payments also came in to help boost the bottom line.

Mr. Atkinson, Segal, reviewed the FY14 Second Quarter Financial Reporting and reminded the Committee that the financial reported looks at the year to date premiums and expenses on an incurred basis as opposed to a cash basis as reported in the Fund & Equity. Through December 31, 2013, the Group Health fund is experiencing a 0.7% surplus with

premiums exceeding expenses by \$2.3M. A quick review of the Highmark and Aetna plan experience as well as a comparison of the active employees, non-Medicare pensioners and Medicare pensioners was provided to the Committee.

#### **FY15 Group Health Insurance Program Planning - handout**

Ms. Lakeman reviewed the slide presentation and went through the objectives which included budget projections, cost savings opportunities for medical and prescription, FY15 health care rates, Mental Health Parity and Addiction Equity Act (MHPAEA) and DelaWELL updates.

The FY14 projected revenue is \$614.9M less the projected expenditures of \$613.8M for a total projected positive balance of \$1.1M. The projected year end health fund surplus above obligations for the rest of the year is estimated to total \$8.3M.

The FY15 revenue projections based on FY14 rates and adjusted for enrollment growth and adjustments to the Medicare premiums to reflect the expected Medicare Part D subsidies, rebates and reinsurance monies reimbursed to the Group Health Fund by the federal government is to be \$616.3M. The expenditure projections are estimated to be \$631.5M, which includes the reduction of \$4.5M from savings expected from moving to the National Preferred Drug Formulary on July 1, 2014. This leaves a total deficit of \$15.2M. It was noted that the expenditure projection reflects trend increase of 3.0% and required ACA fees. Director Visalli asked how the Group Health Fund compares to the national trend average. Mr. Atkinson advised the national average was between 5% and 8%. It was explained that over the last ten years the State has been between 2% and 3%.

Ms. Lakeman acknowledged that the Committee had already reviewed in previous meetings the cost savings options of the Advanced Utilization Management and Compound Medication Coverage Review programs. These two options, if adopted, would provide an estimated savings of \$1.9M and \$450,000 respectively.

The State of Delaware has experienced a decrease in the member cost share for prescription drugs year over year since FY08 which is common for plans with flat dollar copays as manufacturers increase the Average Wholesale Price (AWP) of drugs. The State has an estimated annualized drug spend of \$207M, with members paying 10.7% of these costs and the plan paying the remainder. Ms. Lakeman referred to a slide to illustrate the reduction in member share year over year. Express Script's Government Advisory Panel (Government Peer) averaged 16.0% member cost share for 2013.

Changing the copays is an opportunity to incentivize the use of generic prescriptions which becomes additional savings to the plan. It was stressed that for every one percentage point increase in generic dispensing the plan could save approximately 2.3% of total cost or \$4.3M. Ms. Lakeman showed the Committee an option for prescription copay increases and explained that the cost of generics would remain the same to incentivize members to use generic when possible.

Ms. Lakeman presented medical plan copay change options and explained that all options allowed the State to maintain Grandfathered status in the First State Basic, HMOs and PPO plans. Many changes were reviewed and it was explained that the changes as detailed on the separate handout could save \$4.7M if all were approved. Ms. Lakeman requested that the Committee review the changes and stated that the Committee could pick and choose the changes they would like to model. It was explained that the CDH Gold plans would maintain the current plan design because there is low enrollment which would result in minimal savings. In addition, changes may deter new enrollment in the plans.

Director Visalli pointed out that the example in the slide presentation was a starting point and that all options and changes are still being reviewed to determine the best solution to meet the deficit of \$15.2M. It was explained that the more money that was put in by the Joint Finance Committee to support an increase in the State or employer share would result in an increase to the employee contribution. In conclusion, three savings options were reviewed:

1. Implementation of one or more prescription coverage management programs,
  - Advanced Utilization Management Bundle Package \$1.9M
  - Compound Medication Coverage Review \$0.5M
2. Implement one or more medical/prescription plan changes – All Maintain Grandfathered Status,
  - Prescription Copay Changes \$2.5M
  - Medical Copay, Co Insurance and Deductible Changes \$4.7M
3. Implement Rate Increase
  - - \$8.6M General Fund Increase (JFC) increase equals \$12.8M All Funds  
(\$0.44 to \$4.29 per month impact for employees/non Medicare pensioners)

The option to use Group Health Surplus Funds was left as an open question. All were asked to review materials and be ready to discuss options and vote in the next SEBC meeting.

Ms. Lakeman reviewed the Mental Health Parity and Addiction Equity Act (MHPAEA) and stated that it initially passed in 2008 with interim regulations released in 2010 and final regulations in 2013. The State is currently compliant in all areas with the exception of intermediate levels of care. The State is working with Highmark and Aetna to determine compliance in the area of inpatient residential treatment and partial hospitalization outpatient benefits. The State is permitted as self-funded non-federal governmental plan to apply for exemption to MHPAEA. More information will be supplied at the March 10 meeting to determine if compliance can be achieved or if exemption should be requested.

Ms. Rentz reviewed the DelaWELL Health Management Program FY15 planning section of the presentation. A brief overview of plan eligibility, Condition Care Programs and Wellness activities were reviewed. Ms. Rentz explained the Silver and Gold level rewards and commented that the Healthy Values was new for FY14. There were successful returns in medical expenses in FY13. A savings of \$2.7M represents improvement in Condition Care member's inpatient utilization in FY13 when compared against the FY10 baseline year. This equals a Return on Investment of 3:1. There was a hospital admission improvement of 12% between FY13 and FY10. Alere, the vendor for the DelaWELL program, has reported improvement in Condition Care participant's adherence to medications and treatments.

Ms. Rentz reviewed Wellness participation statistics and advised that a DelaWELL participation survey would be sent out the first week in March from the Governor. The intent of the survey is to better understand what drives employee engagement. There have been a total of 12,547 pounds lost through the Weight Watchers program in FY13 and year to date FY14. Ms. Lakeman announced that Don Weber, DelDOT, visited a recent Wellness Champion Meeting, and told his success story to help motivate the Champions. Ms. Rentz concluded the DelaWELL portion of the presentation and advised that the DelaWELL program is expected to have adequate funds remaining for the incentive payments in FY15.

Ms. Lakeman summarized the next steps which included further consideration of options to close the deficit gap of \$15.2M and balance the FY15 Group Health Fund budget as well as approval of FY15 health rates and the MHPAEA exemption. Director Visalli commented that plans are to have the plan designs and rates voted and approved at the March 10, 2014 SEBC meeting.

#### **SEBAC Comment**

Ms. Griffin, SEBAC Chair, commented that at the SEBAC meeting there was a discussion about lower paid employees being able to better handle an increased premium in their paycheck each pay versus increased out-of-pocket copays at office visits. Director Visalli asked the Committee to review the menu of options in order to provide good feedback so that decisions could be made at the next SEBC meeting.

**Public Comment**

Mr. Leiter, DHSS, commented that not increasing the copay for generic medications was a great thing. However, he did ask the Committee to take into consideration the effect increased costs would have on the employees in pay grades 1-7 and the pensioners. Ms. Griffin asked if the benefit costs could be changed for certain groups of employees. Director Visalli stated that they could not be changed for certain groups but advised that discounts programs through outside companies, such as Astra Zeneca, would be researched.

**Other Business**

None.

Director Visalli announced that the SEBC would need to go into Executive Session to hear a health appeal and there would be no additional business for the committee after Executive Session. It was mentioned that the next SEBC meeting would be on Monday, March 10, 2014. She then requested a motion to adjourn the public meeting and go into Executive Session. Justice Griffin made the motion and Controller General Morton seconded the motion. Upon unanimous voice approval, the Committee moved into Executive session at 2:55 p.m. Upon return to public session at 3:25 p.m., Director Visalli asked for a motion to adjourn the meeting. Ms. Watson made the motion and Controller General Morton seconded. With unanimous voice approval the motion carried.

Respectfully submitted,

Dawn M. Davis  
Executive Secretary  
Statewide Benefits Office, OMB